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Wednesday, January 22 - 2003 at 15:23

National Commercial Bank

The recent increase in the state shareholding in National Commercial Bank from 50 to 80 per cent might seem to fly in the face of privatization.

But nothing could be further from the truth, as the share acquisition marks an acceleration of plans for an initial public offering.

NCB is the largest commercial bank in Saudi Arabia in terms of assets and equity, and was originally owned by the Bin Mahfouz family. The government first bought shares in NCB in 1999 with the acquisition of a 50 per cent interest from Khalid bin Mahfouz for the Public Investment Fund.

The main obstacle to an IPO at NCB has been the requirement for at least two years of financial statements, and NCB has not published its full figures since 1998.

With the PIF now in the driving seat the NCB is expected to produce audited figures within the next few months. That would allow the government to move ahead with plans for an IPO for the only unlisted bank in the kingdom.

According to MEED around \$1.8 billion was paid for the 30 per cent stake by the PIF, putting a value of \$6 billion on NCB. Doubtless there would be great international interest in buying into this bank if the government was to allow foreign ownership.

Since the PIF bought into NCB in 1999 the management and ownership of the bank have been completely separate, and a detailed review of the loan portfolio has been completed. Massive one-hit provisions of \$1.3 billion for 1999 are believed to have cleaned up the loan book and to have been followed by smaller amounts in subsequent years.

Within the bank there has been a change of management culture and a shift towards creating a premium retail bank, albeit one with a strong Islamic flavour. And the IT department has been completely modernized.

Indeed, the prospectus for the IPO may prove to hold some welcome surprises for prospective shareholders. All the signs are that the NCB has modernized its structure from top to bottom and rebuilt its balance sheet. But it would still be nice to see the figures.



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**With Peter J. Cooper, Editor-in-Chief**

Wednesday, January 22 - 2003 at 15:23 UAE local time (GMT+4)

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